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WORLD WOOL PROSPECTS

Summary

The domestic wool market continued quiet during the latter part of April and in May and further small declines were reported in raw wool quotations, chiefly on Ohio and similar fleece wools. The decline in domestic wool prices is due chiefly to the low rate of activity in the domestic wool manufacturing industry and to weakness in wool prices in foreign markets. Demand was limited at the London sales the early part of May and prices declined on most wools. The outlook for the foreign markets remains uncertain as a result of the continued prohibition of imports into Germany, labor difficulties in Belgium and further restrictions on imports into Italy, according to information received in the Bureau of Agricultural Economics.

Consumption of combing and clothing wool (grease basis) by United States manufacturers reporting to the Bureau of the Census in March was not greatly different from that of January and February. Consumption (on a grease basis) in the first quarter of 1934 was slightly smaller than in the first quarter of 1933 and was smaller than in any similar quarter in the last 10 years. Consumption of carpet wool, on the other hand, was larger in the first quarter of 1934 than for the first quarter of any year since 1930.

The outlook for the fall season in the domestic wool manufacturing industry was still uncertain the middle of May and many mills were reported to be running on part time schedules. Woolen mills continued in a more favorable position than worsted mills. Manufacturing activ-

ity declined in the English wool industry in April and May and continued uncertainty is expected until trading with continental countries can be resumed on a more normal basis.

The 1934 shearing season in the Northern Hemisphere is now well under way with conditions very favorable for shearing in the Western Range States of the United States, although a slightly reduced clip is expected. In the Southern Hemisphere wool producing countries the 1933-34 selling season has practically ended with only a few clear-up sales scheduled. No reliable estimates of the coming clips for these countries are yet available.

Apparent supplies of wool in the five 1/ Southern Hemisphere countries reporting as of April 1 were considerably lower than on the same date of the 2 preceding seasons. If the highest estimates of production are used in making calculations, the reduction in supplies as of April 1 was about 18 percent. It is believed, however, that the decrease as compared with last year may be even greater. The heavy decrease in supplies on April 1 as compared with the 2 preceding seasons is due partly to reduced clips in most of the countries and partly to earlier marketing.

At this time of year estimates of wool production for most Southern Hemisphere countries are being revised as reports of receipts, disposals, and stocks for the greater part of the season become available. However, there are still several unknown factors which enter into production estimates to be taken into consideration, such as the quantity of wool exported on skins and the quantitiy pulled from slaughtered sheep.

1/ Australia, New Zealand, Union of South Africa, Argentina, and Uruguay.

Estimates of wool production in these countries at the end of the season, therefore, may differ somewhat from earlier estimates.

Exports of grease, washed, and scoured wool, combined, for the five countries up to April 1 1/ were relatively large, aggregating 1,446,000,000 pounds, a decrease of 6 percent as compared with the same period of 1932-33. As compared with the same period of 1931-32, however, there was an increase of 13 percent. The principal country showing a decided decrease in exports this season as compared with last is the Union of South Africa, the decrease to the beginning of April being almost 30 percent. There was a decrease of 2 percent for Australia, New Zealand exports were about the same as last year, whereas slight increases were shown in Argentina and Uruguay for this period. In the case of Argentina the increase was due principally to earlier marketing.

The world sheep and wool situation will be reviewed in detail in the issue of Foreign Crops and Markets devoted to that subject to be published late this month or in early June. Therefore, only a very brief summary of the current supply situation is given in this release. The material usually published in the Statistical Supplement in May will appear in the June issue of World Wool Prospects.

Marketing Situation

United States

The volume of trade in the Boston market has not shown any material improvement and the market is very slow, states Russell L. Burrus of the Boston office of the Bureau of Agricultural Economics in his report on the wool market for the month ended May 12. Later reports indicate little change in the market in the latter part of May. Buying of spot wools in Boston has been confined to a few mills which had urgent requirements to fill. Prices on this type of business showed little decline. Purchases of new wools were made for testing purposes, and such prices were a little lower than in April.

1/ Season in Australia, New Zealand, and the Union of South Africa begins July 1 and that in Argentina and Uruguay on October 1.

Sales in recent weeks have scarcely been in sufficient volume to establish definite price lines on the various grades of wool. Price weakness, however, has been quite apparent on eastern grown fleece wools and quotations have been lowered, particularly on medium quality fleeces. New wools offered at declining prices have gradually forced lower quotations on spot offerings of old clip wools. Medium quality fleece wools comprise the greater part of the early shorn fleeces. Such wools were offered the middle of May at about 32 cents for strictly combing 56s (3/8 blood) and 48s, 50s (1/4 blood) in the grease, from Ohio and Michigan to be graded and delivered as soon as ready. Most of these wools sold were still at country points, but had either been bought or were under options by Boston dealers. Graded spot wools of these grades in Boston were held mostly at 34-36 cents in the grease the middle of May. Finer grades of fleece wools of the new clip have also been offered recently. Strictly combing 64s and finer Ohio and similar wool was offered in the grease at 32-34 cents a pound the middle of May. Wool available at the low side of the range was not generally considered of good Delaine staple.

More business on spot wools has been transacted in western grown wools than in fleeces. Prices on these sales have shown only a moderate decline. Strictly combing 64s and finer Territory wools were sold at 85 cents, scoured basis, the middle of May. Original bag Territory wools were slightly lower at 82 cents for sizeable lots of choice French combing. The bulk of the average French combing lots brought 80 cents a pound scoured basis while odd lots were below this figure. Sales of Texas wool confirmed the comparatively steady price trend in western wools. Good to choice 12-month staple brought 84-85 cents scoured basis. Sales of 8 months wool were made at 78 cents scoured basis. Greasy fall Texas wools were moved at 71-73 cents scoured basis.

Spot business on foreign wools at Boston has been very quiet. A limited business was transacted on South American low crossbred wools at slightly lower prices. Asking prices on Australian wools remained unchanged. While import prices of foreign wools from London were lower in view of the decline at the London series, they were not low enough to attract imports.

Business in woolen wools declined during May and some price concessions were made on the small trade available. Prices of noils were fairly steady after the decline reported the middle of April.

The market for wool tops was very unsettled in May and prices were lowered on all types. The lower quotations did not result in any appreciable increase in orders for fine tops. Lower prices on fleeces enabled the larger top makers to sell some 56s at 97-98 cents and 50s at 85-90 cents. The volume, however, was not large. Deliveries against old contracts were fair.

Consumption of combing and clothing wool by United States manufactures reporting to the Bureau of the Census in March was not greatly different from the consumption in January and February, but was almost 25 percent greater than the consumption in March 1933 when the industry was hampered by the banking situation and other financial uncertainties.

The index of consumption of such wool, adjusted for seasonal variation, was 72 (1923-1929 = 100) in March compared with 71 in February, 70 in January, and 58 in March 1933. Consumption (on a grease basis) in the first quarter of 1934 was slightly smaller than in the first quarter of 1933 and was smaller than in any similar quarter in the last 10 years. Reporting manufacturers who represent between 75 and 80 percent of the industry used 79,000,000 pounds (grease basis) of combing and clothing wool from January to March 1934, compared with 84,000,000 in those months of 1933 and an average of 95,000,000 pounds in the years 1928-1932. The proportion of foreign wools in the total has been somewhat larger this year than in the first quarter of the 2 previous years. About 10,100,000 pounds of foreign combing and clothing wool and 69,100,000 pounds of domestic were reported in the first quarter of 1934. This compares with 2,200,000 pounds foreign and 81,600,000 pounds domestic in the first quarter of 1933 and an average of 16,600,000 pounds foreign and 78,300,000 pounds domestic in the first 3 months of the years 1928-1932. Consumption of carpet wool in March was slightly larger than in February. Consumption reported for the first 3 months of 1934 was 25,500,000 pounds (in condition reported, greasy, scoured and pulled added together) and was the largest consumption for the first quarter of the year since 1930. Only 11,300,000 pounds of carpet wool were used by reporting manufacturers in the first 3 months of 1933. The outlook for the fall manufacturing season remained uncertain the middle of May and many mills were reported to be running on part time schedules. Woolen mills continued in a more favorable position than worsted mills.

Imports of combing and clothing wool for consumption, which include withdrawals of wools from bonded warehouses were 12,729,000 pounds in the first 4 months of 1934 while imports of carpet wool were 39,341,000 pounds. Corresponding monthly figures for 1933 are not available but general imports, minus reexports for these months show net imports of 2,328,000 pounds of combing and clothing wool and 18,020,000 pounds of carpet wool.

Imports into the United States by the chief countries of shipment, for the first quarter of 1934 were as follows for combing and clothing wool; Australia, 2,555,000 pounds; United Kingdom, 2,197,000 pounds; Uruguay, 1,911,000; Canada, 1,228,000 pounds; Argentina, 1,139,000 pounds; New Zealand, 876,000 pounds; and other countries, 476,000 pounds. Carpet wool imports were as follows: China, 8,917,000 pounds; Argentina, 8,791,000 pounds; British India, 3,505,000 pounds; United Kingdom, 2,794,000 pounds; Italy, 923,000 pounds; Iraq, 827,000 pounds; and other countries, 2,399,000 pounds.

United Kingdom

The third series of London wool auctions for 1934 opened May 1 and closed May 11. This series was originally scheduled to open April 24, but was postponed because of the German restriction on imports which was expected to be lifted May 5. Prices at the opening of the series were considered favorable in that the declines in many cases were not as great as had been expected. Prices for merino wools showed little change compared with prices at the close of the previous series on March 16.

Prices of crossbred wools were mostly 7½ to 10 percent below those of March. The announcement of the extension of the German restrictions to May 21, together with other continental difficulties resulted in a week market and lower prices as the sales progressed and withdrawals were heavy during the series. At the close of the sales prices of merino wools were 7½ to 10 percent lower than in March and the market was weak. Prices of crossbreds were more stable during the series. Only 49,000 bales were sold during this series. English buyers took 25,500 bales and continental buyers 23,500 bales. A substantial quantity of wool was held over, largely crossbreds.

The rapid rise in prices which began at the London sales in May 1933 reached a high point in January of this year and since that time the trend has been downward. The price of average 70s, clean cost, at London in May 1933 was 20 pence a pound. The price of this wool advanced to 33½ pence in January 1934, but at the close of the present London series had declined to 30 pence. Average 56s which were 14 pence in May 1933 and 25 in January 1934, had declined to 18 pence by May 11.

Because of the decline in the exchange value of the American dollar in 1933, the change in prices at London was much greater in terms of American currency than in terms of British currency. At current rates of exchange the price of average 70s at London, which was 33 cents a pound in May 1933 rose to 70 cents in January 1934 and on May 11 was about 64 cents a pound. The quotation for average 56s was 23 cents in May 1933, 51 cents in January 1934, and about 38 cents on May 11, 1934.

Slow trading and declining activity at Bradford, the strike at Verviers, Belgium, the Italian import license regulations and political difficulties on the Continent together with the further extension of the German embargo to the end of May have made the future trend in the wool market very uncertain, and continued quiet and uncertainty are expected at Bradford until trading can be resumed with continental countries on a more normal basis, according to a report from H. E. Reed, Principal Marketing Specialist of the Bureau of Agricultural Economics in England.

Trading in semi-manufactures in Bradford in the past month has hardly been sufficient to test prices. Quotations were fairly steady throughout April, but prices declined in May. The following table shows quotations for two representative grades of tops at Bradford the third week of May in pence per pound and in cents per pound, with earlier prices for comparison.

Grade	Pence per pound				Cents per pound 1/			
	1933	1934			1933	1934		
	May 18	Jan. 11	Apr. 19	May 17	May 18	Jan. 11	Apr. 19	May 17
64s average	25.0	41.5	36.5	34.0	40.7	88.0	78.2	72.4
50s crossbreds	12.2	23.0	19.0	17.0	19.8	48.8	40.7	36.2

1/ Converted at current rates of exchange.

The slowing down in activity in the English wool manufacturing industry which was noted at the end of the first quarter of 1934 continued through April and there are indications of a further decline in May. Stocks of manufactured goods have increased and retail trade shows a declining tendency. Mr. Reed reports that the activity in the latter part of 1933 and early months of 1934 will probably go a long way toward satisfying future demand. The percentage of insured workers in the woolen and worsted industry registered as unemployed on April 23 was 14.1 percent compared with 11.3 percent on March 19 and 18.8 percent in April, 1933. The decline was most noticeable in the sorting and combing sections of the worsted industry and the spinning section of the woolen industry.

Continental Europe 1/

Trading in tops was quiet in continental European wool markets in April and the early part of May while a fair demand was reported for noils and washed wool. Restrictions imposed by the Governments in Germany and Italy have influenced trading in those countries to a considerable extent. German purchases of wool, tops and noils were confined largely to transactions within the country as a result of the temporary import buying prohibition and an active trade has been carried on in domestic wool. Prices continued to decline until the latter part of April when a moderate improvement was reported which continued until May. Decrees restricting price increases have resulted in some uncertainty in the German market.

Wool manufacturing activity in European countries in April was not greatly different from that of March. The situation in France continues unsatisfactory. Textile production in Belgium is hampered by the continuation of the workers' strike at Verviers. German mill occupation was maintained through April at the previous high level. Stocks of merino and crossbred tops at commission combing establishments of France, Belgium, and Italy increased seasonally in April, but stocks in Germany declined more than 2,000,000 pounds. Combined stocks in the four countries were smaller than on April 30, 1933, but were much larger than the average for that date in the 5 years 1928-1932.

Latest developments in the European wool centers were reported as follows:

Germany

Conditions in the wool industry of Germany at the present time are determined largely by special Government regulations. The temporary import prohibition for raw wool, tops, noils, waste, and yarn originally

1/ Based largely on a report from the Berlin office of the Bureau of Agricultural Economics.

effective up to May 5 was extended to May 21 and again to May 31. The Control Commissioners Office has announced, however, that individual purchase permits will be distributed in the near future to permit regulated trading. Information received by English firms late in April and published in the Yorkshire Observer indicated that requirements of German mills which process woolen spinning materials will be determined in 6-month periods and the requirements assessed according to the quantity of spinning materials processed during 1933 and the first quarter of 1934. These are to be known as fundamental requirements, but provision is also to be made for supplementary requirements and further special permits to buy are to be granted in certain cases. Wool and tops are to be interchangeable within the permit, but permits to buy cannot be transferred.

In an effort to prevent unreasonable price increases in German markets affected by the temporary buying prohibition, maximum prices for textile raw materials, manufactures and finished goods were established by the Ministry of Economic Affairs in an ordinance of April 21. These maxima are the highest prices obtained by the seller during the 3 weeks ended March 21, 1934, i. e., the 3 weeks prior to the announcement of the buying prohibition. For raw materials, including wool, the price of which is determined on world markets, domestic quotations and sales prices may be increased by amounts corresponding to the increases in the prices of these raw materials on foreign markets since March 21. The idea thus established of permitting firms to use a "replacement price" in calculating costs is also extended to transactions in semi-manufactures and finished goods.

As a result of the import buying prohibition, demand for domestic wool became rather active during April and internal trading in tops and noils was also important. The market exhibited a distinct tendency toward price increases, but the movement was checked by Government decree on April 21. The regulation of prices checked speculative purchases to some extent and trading declined.

Statistics on stocks of tops in German commission combing establishments on April 30 show some effect of the purchase prohibitions. Stocks of tops on April 30 were more than 2,000,000 pounds smaller than on March 31, although the normal trend is upward at this season. The decline is probably due to increased takings by worsted spinners, partly speculative and partly necessitated by reduced imports of tops. The share of commission combers stocks in the total German stocks of tops is believed to be less than 50 percent.

France

Trading in tops was very quiet at Roubaix-Tourcoing during April. The German restrictions on imports and resulting lack of German demand was said to have been an important factor in the situation. Noils and washed wool, on the other hand, were in greater demand. Prices of noils were increased as a result of the buying interest and the reduction in the output of top makers, due to the small imports of raw wool in recent months.

Manufacturing activity is very unsatisfactory and unemployment at Roubaix-Tourcoing is reported to be high. Recent reductions in imports of raw wool have resulted in a decline in the activity of top-makers and washing establishments. Knitting mills, on the other hand, continue to be employed at a satisfactory rate and toward the end of April a slight improvement was reported in new orders for the worsted spinning section.

Italy

Special control of raw material imports has recently been decreed by the Italian Government. Import licenses will be issued with a view to bringing Italian imports from individual countries more in line with Italy's exports to these countries. As it is not yet known how these regulations will work out in practice the Italian markets have assumed a waiting attitude. Business in tops and noils was rather limited in April but a fair turnover of fine crossbred tops was reported. New orders for manufactures for the winter season have been very slow thus far, and the outlook at present is rather uncertain.

Belgium

Despite some export sales to Italy and France of merino tops and of noils for hat-makers, business on the Belgian market remained very unsatisfactory in April. The slow demand is due largely to the continuation of the strike at Verviers and to the loss of the German trade through the temporary import prohibition by the German Government. Prices remained firm as a result of the limited output. The hat making section appears to be the only section of the industry in operation.

Supply Situation

Australia

It now seems probable that the Australian wool clip will approach nearer 925,000,000 pounds than the original estimate of 847,000,000 pounds reported earlier. Last season's clip reached the record total of 1,028,000,000 pounds.

Receipts at Australian selling centers for the 10 months of the 1933-34 season, i. e., July 1 to April 30, are reported at 765,000,000 pounds, a reduction of 10 percent as compared with the same period last year and 7 percent as compared with the preceding season. Marketing has been earlier than usual this year and it is expected that the quantity received during the last 2 months of the season will be greatly reduced as compared with a year earlier. It is also reported that the number of producers selling directly to buyers at the sheep ranches has been greater than usual this year. Wool disposed of in this way does not enter brokers' stores and thus is not included in the receipts as reported by the Australian National Council of Wool Selling Brokers. A small portion of the clip is sold by this method each year, however, the percentage usually being about 10 percent, according to the Weekly Wool Chart.

Disposals at Australian selling centers for the first 10 months of the season amounted to 717,000,000 pounds, which was about 9 percent less than during the same period of 1932-33. Stocks at selling centers on May 1 were reported at 48,000,000 pounds and showed an increase compared with the quantity on hand at the beginning of April, but were 25 percent lower than on May 1, 1933.

Exports up to the end of March were 750,000,000 pounds and were 2 percent lower than for the same period last year when the carry-over from the preceding season was larger than usual. This season, however, sales at Sydney ended earlier than usual and exports for the remainder of the season are expected to be less than they were last season. Up to the end of February exports for the season were larger than for the same period last season. However, during the months of February and March exports have been considerably less than they were a year ago, the reduction being 20 percent. Queensland wool begins to come on the market in May or June, and conditions in that State are reported as good. Last season the clip in Queensland was a record one, being estimated at 185,000,000 pounds.

United States

The mild open spring on western ranges has improved the condition of sheep generally. Losses have been exceptionally light due to the absence of severe storms, states the western Livestock and Range Report for May 1. The condition of sheep on May 1 was better than at the same time last year in most of the Western States, the exceptions being Texas and North and South Dakota. The average for the 17 Western States on May 1 was 88 percent of normal compared with 82 percent at the same time a year ago. The condition has improved steadily throughout the spring months and it is reported that shearing has progressed rapidly.

Although the condition of sheep is now 6 points better than for the same date last year the average condition for the wool growing season has been about 4 points lower. As the number of stock sheep on January 1 showed a slight increase compared with a year earlier and losses have been exceptionally light in the Western States except Texas, the reduction in the clip is not expected to be very large despite the heavy shearing in the fall of 1933 in Texas and California. Owing to the dry season the fleeces will contain more yolk and dust and thus weigh heavier. The yield in scoured wool, however, will probably be lower than it was last year.

The condition of ranges in the Western States on May 1 was 80 percent of normal compared with 76 percent last year and 81 percent in 1932. The average condition for the wool growing season, however, has been about 6 points less than it was a year ago, but about 2 points better than in 1931-32.

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